Western Regional Public Utilities Commissioners

June 16, 2008
Whitefish, Montana

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Regulation & Requirements

- Federal Siting:
  - NEPA
  - DOE Priority Corridors (368 Process)
- Regional Reliability
  - WECC Planning
  - NTTG Planning
- State
  - Montana
    - Major Facility Siting Act (MFSA)
    - Montana Environmental Policy Act (MEPA)
  - Idaho
    - No statewide regulation
- Customer Needs

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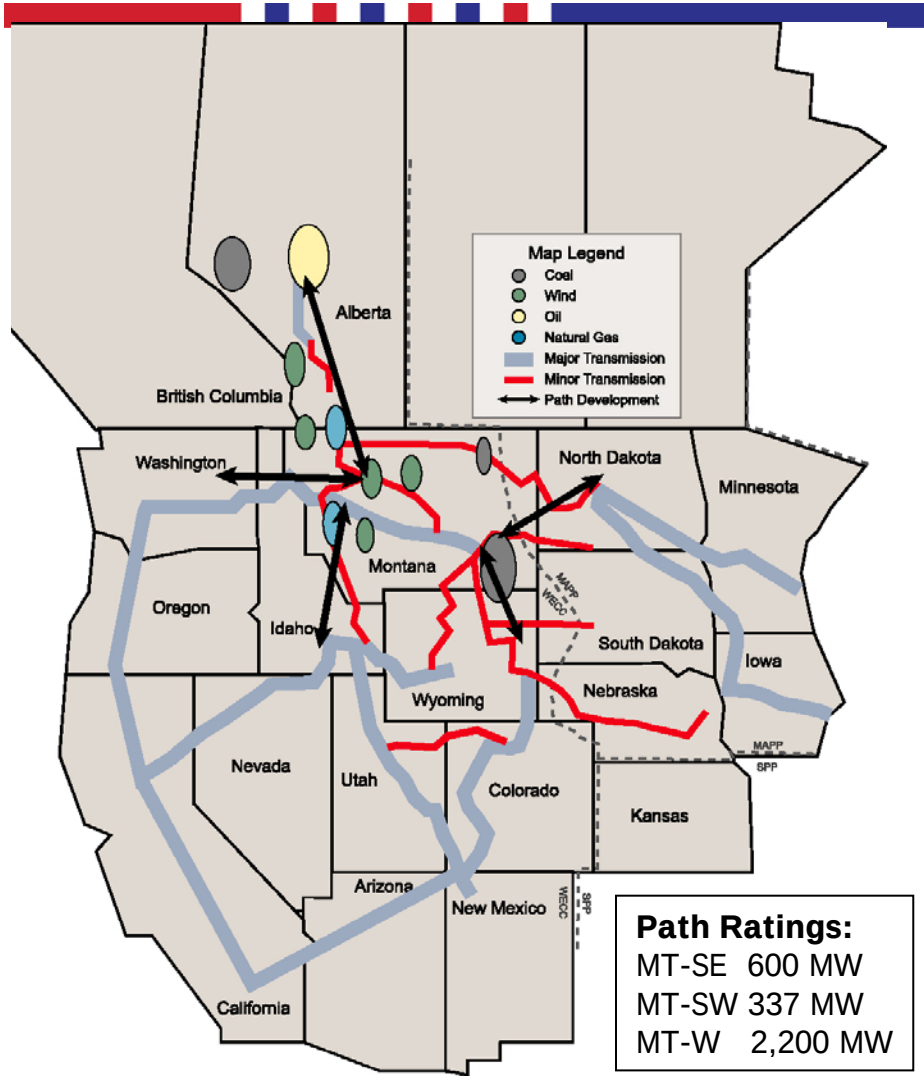
The State of the Existing Transmission System



Path Ratings:
MT-SE 600 MW
MT-SW 337 MW
MT-W 2,200 MW

- **No significant transmission built in the last 25 years.**
- **New generation development could require significant enhancements to the system.**
- **Transmission paths out of Montana are constrained for entities seeking firm transmission rights.**

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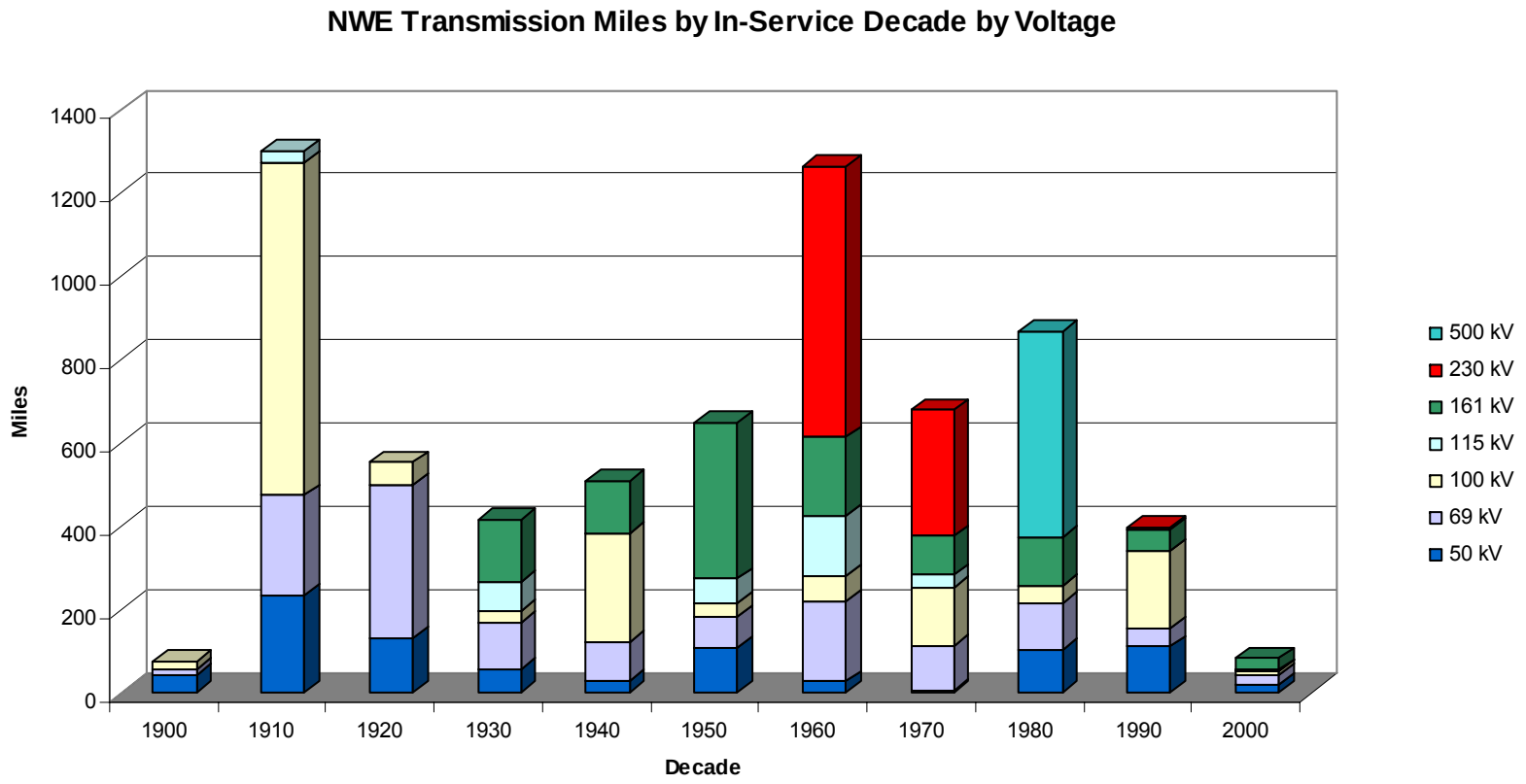
NorthWestern Energy's Transmission System



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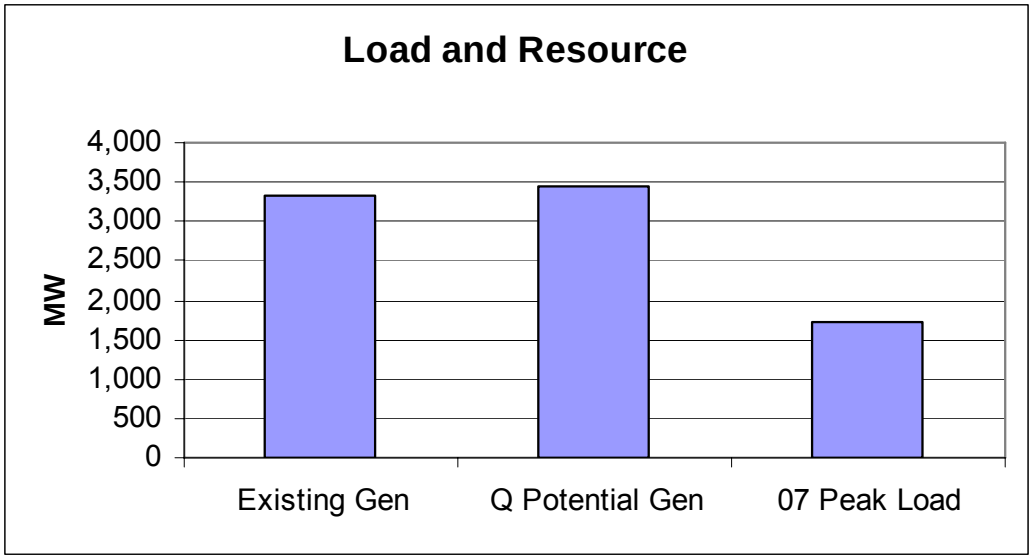
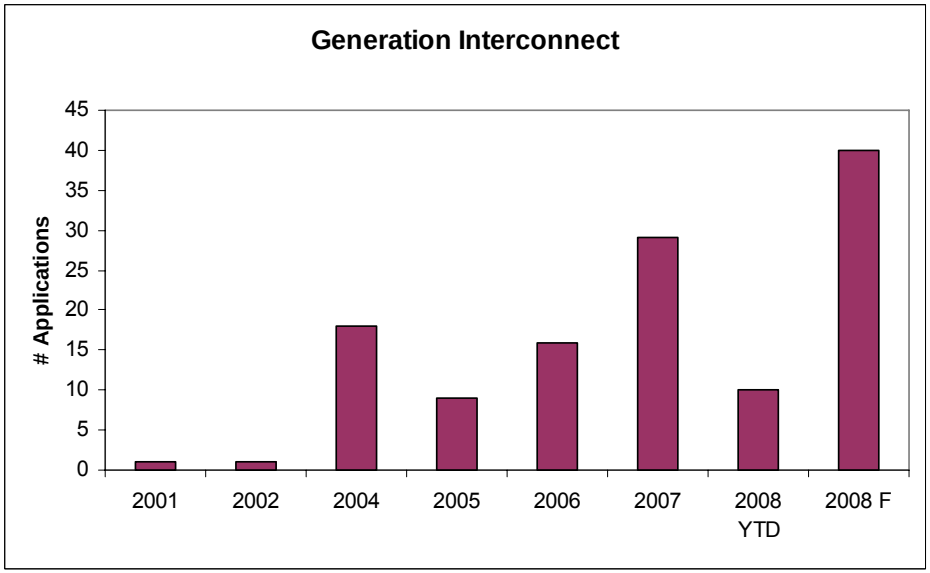
Why Is New Transmission Needed?





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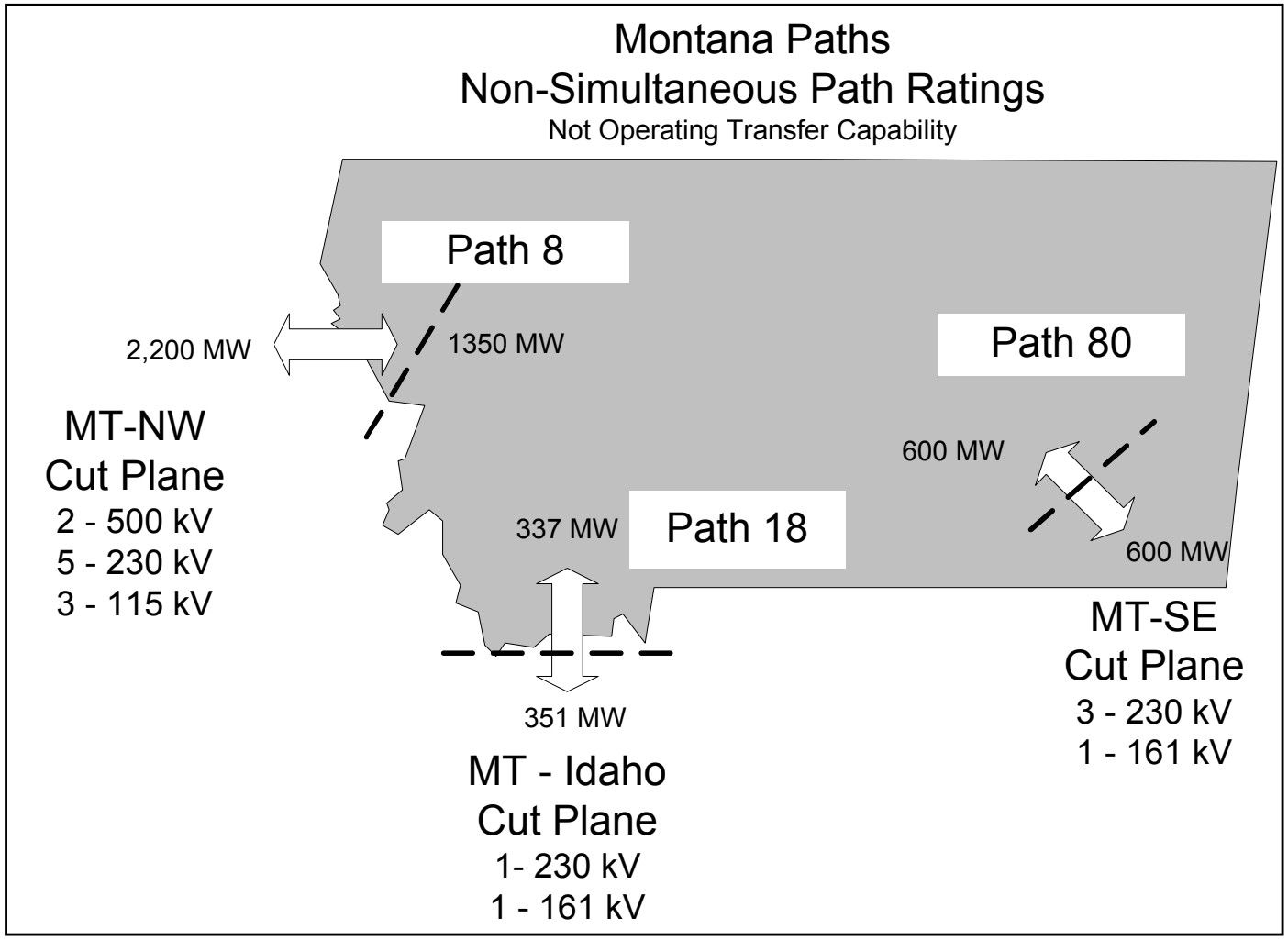
Paths Total Rating – Not Available Transfer Capability



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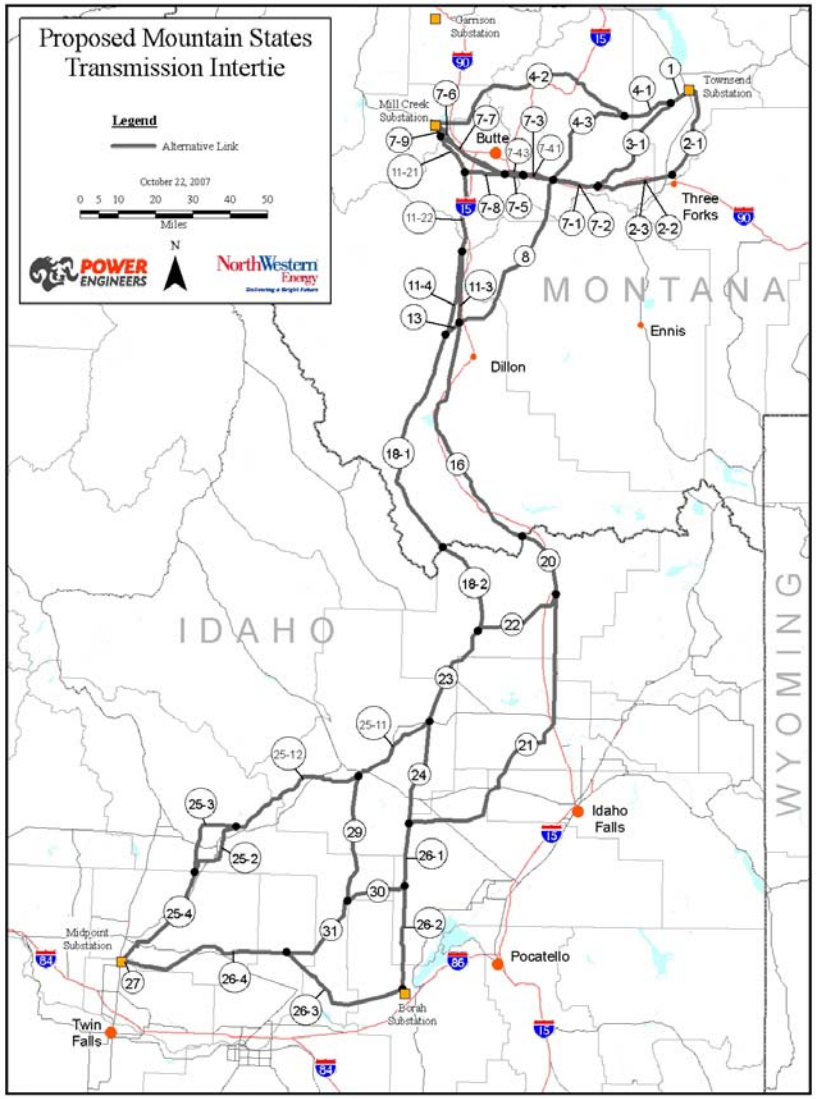
Mountain States Transmission Intertie (MSTI)



- Townsend, MT to Midpoint, ID.
- Length: 400 - 450 miles.
- 2,250 MW expressed interest - 640 MW of reservations.
- Preferred and Alternative Route selection currently underway.
- MFSA and EIS applications pending in July.
- Ultimate project size and scope dependant on long- term commitments.

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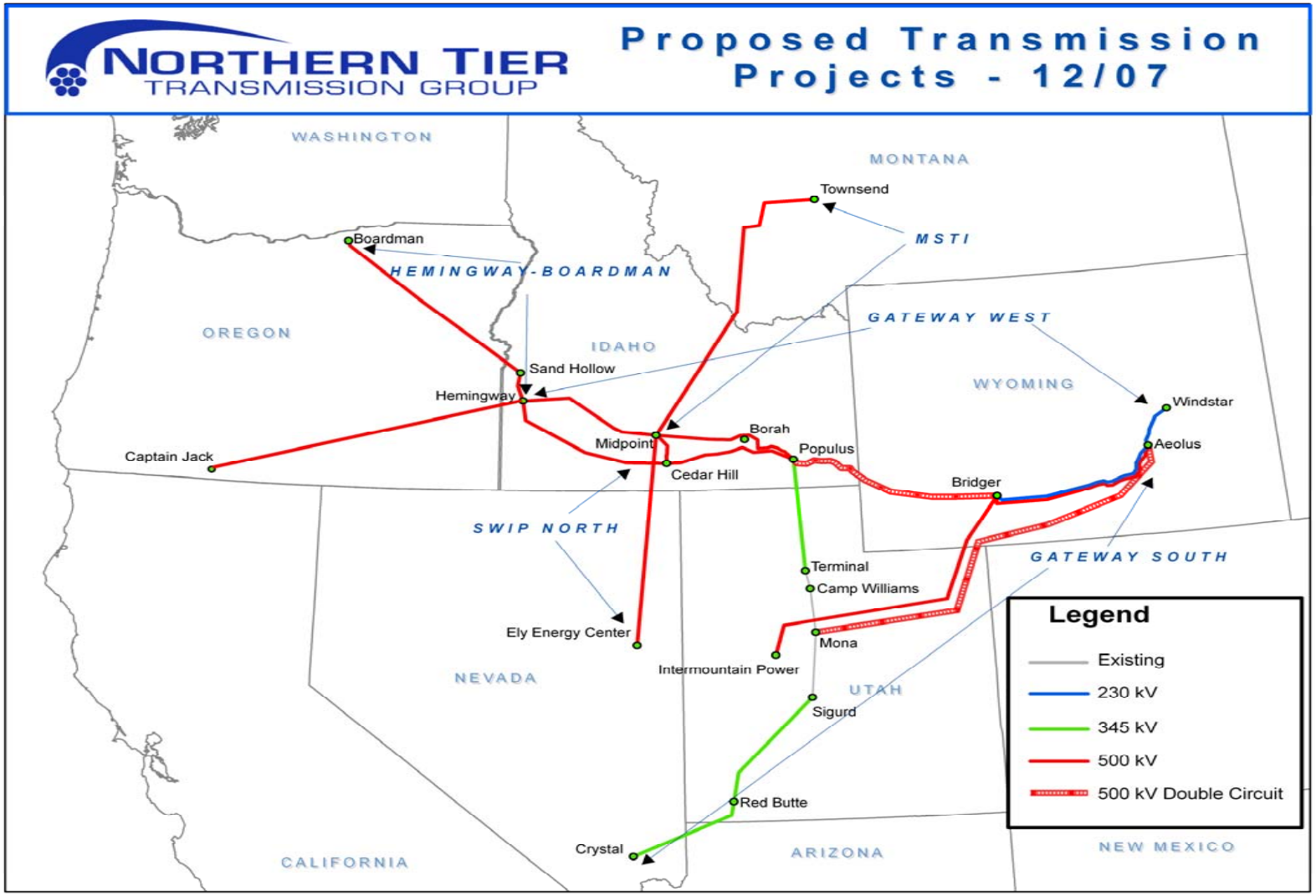
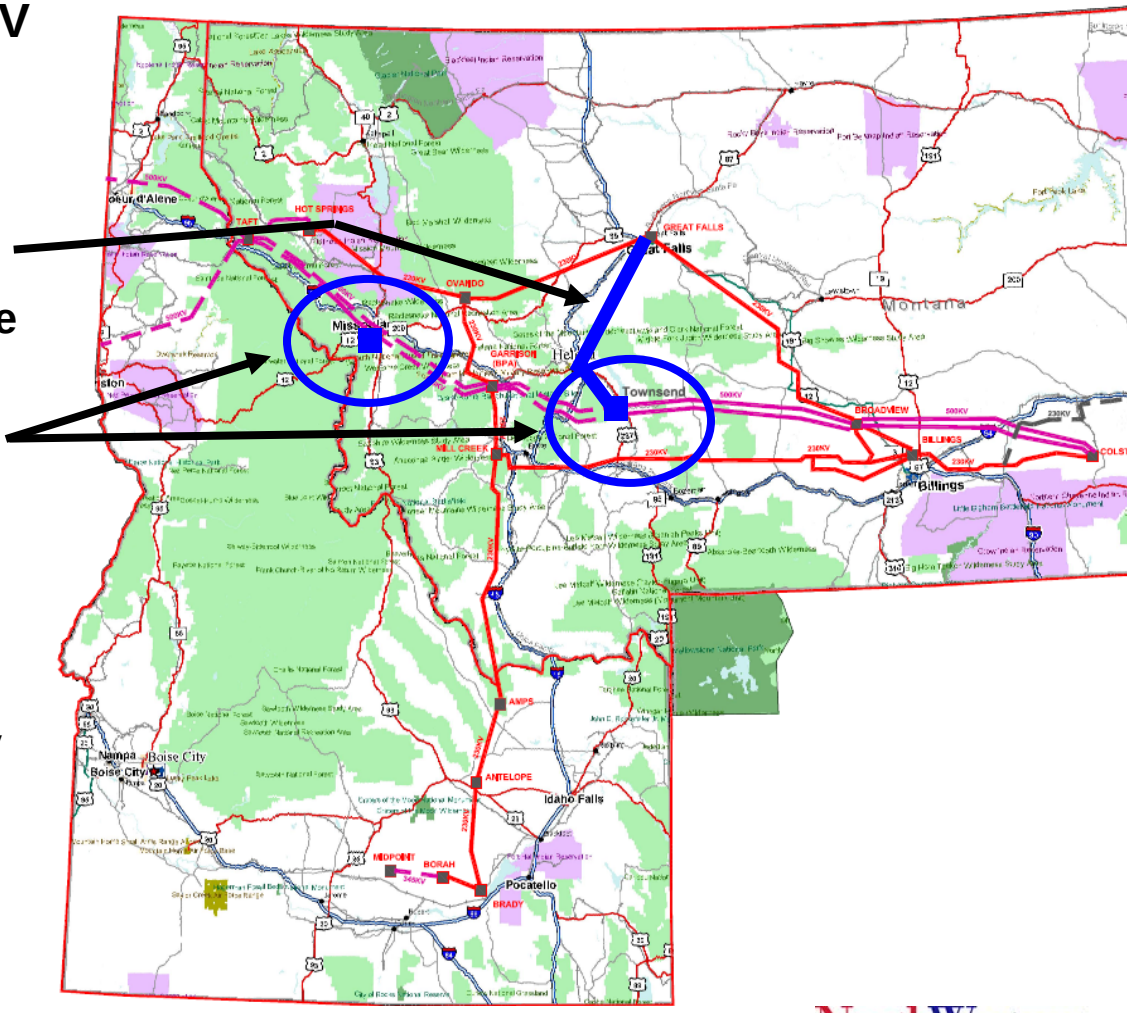
External “Distribution” System for MSTI



Colstrip 500 kV Upgrade and Collector System

Enhancement to existing 500 kV Transmission System in MT.

- **RMATS recommendation.**
- **Current concern for carbon emissions morphing project.**
- **New "Collector" System being considered from Great Falls to Helena and connecting with the 500kV at Townsend.**
- **New substations in Townsend and possibly Missoula MT.**
- **Enhancements at Broadview Sub.**
- **Potential 500 MW of capacity westbound out of MT.**
- **Interconnection to MSTI southbound out of MT.**
- **Does not address any capacity issues west of Montana.**
- **Initial meetings with Colstrip Transmission Owners held.**



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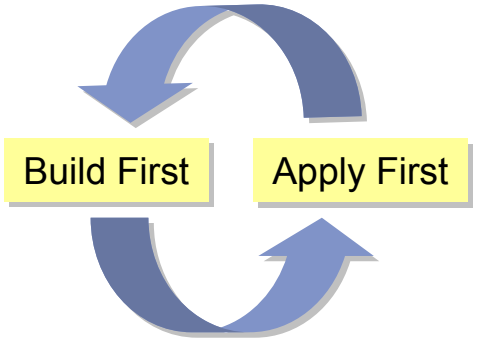
Internal Collector System - EXAMPLES

- Build Out Conundrum



- Encourage Participation
- Example of Potential Options
  - » New 230 kV - approx 450 MW.
  - » 500 kV Upgrade - approx 500 MW.
- Free Rider
  - » See “NorthWestern’s Interconnect Cost Allocation and Refund Methodology” posted on NWE OASIS.

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The Siting Conundrum

- **The FERC Order 890 Requirements:**

1. Coordination
2. Openness
3. Transparency
4. Information Exchange
5. Comparability
6. Dispute Resolution
7. Regional Participation
8. Economic Planning Studies
9. *Cost Allocation for New Projects*

Item 9 is probably the most important to customers and State Public Service Commissions, *and,* the most difficult issue facing transmission development in non-RTO/ISO parts of the country.

How do you assure that the costs are paid by those receiving the benefits?

NWE "Enhanced Or" pricing model, others.

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Federal Corridors & Siting

- **DOE is to identify transmission congestion and constraint problems.**
  Section 216(a) of the Federal Power Act (created by section 1221(a) of the Energy Policy Act of 2005).
- **A National Corridor designation itself does not:**
  - » Preempt State authority or any State actions.
  - » Does not constitute a determination need.
  - » A National Corridor designation is not a siting decision or does it dictate the routing.
- **A National corridor designation does:**
  - » Spotlight the congestion or constraint problems.
  - » Provide FERC with limited siting authority.

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Federal Involvement Critical in the West

- **Importance of this Process to NWE.**
- **Public lands in the West account for approximately 62 % of all lands.**
- **This need is exacerbated in the NW since no RTO or ISO has been developed and to a large extent the developable energy resources (wind & coal) reside in states other than those whose population and loads are growing most.**
- **MSTI project will have over 50% of ROW on public lands.**

Public Land Ownership in the Western U.S.

State	Total Area of State	Total Area Owned by State & Federal Gov'ts	Percentage of States Total Area	State Rank
AK	365,039	325,700	89	1
AZ	72,731	38,979	54	6
CA	99,823	42,288	42	7
CO	66,387	26,459	40	9
ID	52,961	35,245	67	4
MT	93,156	32,473	35	12
NM	77,674	31,555	41	8
NV	70,276	56,972	81	2
OR	61,442	19,404	32	13
UT	52,588	37,020	70	3
WA	42,613	15,514	36	11
WY	62,147	33,964	55	5
Total	1,116,837	695,573	62	

All values are in thousands (000's) of acres except percentages and ranks

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Transmission Siting and Permitting is a mixed bag

- The states-rights vs. federal preemption is also a rallying cry in the independent West.
- Montana for example has an extensive siting process, the Montana Major Facilities Siting Act, for power plants, transmission facilities coal mines etc.
- Some surrounding states do not have a coordinated siting process.
- Both processes have pluses and minuses, but for the large interregional facilities being proposed in the West this mixed-bag will undoubtedly add to the cost, time and complexity of permitting.
- Developing an acceptable, workable compromise with the states, perhaps through NARUC, and other stakeholders may provide a workable compromise that permits continued development of much needed transmission infrastructure.

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Questions?

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